TOPIC

"IMPACT OF DEMONETIZATION ON INDIAN AUTOMOBILE INDUSTRY"

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ABSTRACT

"All the nations of the world are connected with one or other mode of transportation, and the machines which are instrumental in making this possible are called the automobiles. Automobiles have the capacity to shorten the distances and make this world a small village by shrinking the boundaries. However, the sector producing these miracle machines came under sabotage due to demonetization adopted by Indian government and has disrupted the free movement in one or the other way"

Automobiles have an indispensable role to play in the growth and development of the economy, besides offering a viable mode of connectivity for the people and its factors of production, which gets transferred, or say, transported from one place to another with the help of various automobiles which are manufactured in different automobile companies. With the advancement of science and technology the modes of transportation i.e. has undergone several changes, and they have become more tech driven and sophisticated. Indian automobile sector is one of the fastest growing sectors and ads to the national income of the country by contributing substantial amount of revenue by sales in the nations and abroad to different nations, and earns the valuable foreign exchange. The substantial amount of foreign exchange that is generated from the automobile sector helps in the overall development of the India, and keeps it forwarding on the path of growth and development. Indian automobile sector has its own worth in international markets as well, wherein Indian automobiles are regarded cost effective and reliable. But the demonetization, which was adopted and implemented by the government of

India on November 8, 2016, has brought about many changes in the economy of India and the operation in terms of productivity, efficiency, liquidity and profitability of the companies of India. In the backdrop of the demonetization undertaken and implemented by the Indian government Present research entitled, "Impact of Demonetization on the Indian Automobile Industry", endeavors to gauge the overall position and performance of the companies in the automobile industry of India in the eras of pre and post demonetization in India. Further, it aims to measure the automobile sector on the parameter of performance in terms of sales generated by the selected companies as a consequence of demonetization. Further, it endeavors to focus on the market valuation and evaluation of the companies in the automobile industry.

INTRODUCTION

Considered from the point of importance for national development, every country requires a well developed transport network, which can facilitate easy mode of movement for both the humans and factors of transportation. Automobile sector supports in its regard by providing a reliable source of transportation and earning fortune for both the Indian automobile companies and the foreign companies.

This very sector is the indicator of a well developed national economy. it is all the more important as it has both the forward and backward linkages, or say, connections which are well connected by differ sector and helps the economy develop through the progressive multiplier effect.

The vehicle sector is the sector which is comprised of automobile and the component sector which is meant for the manufacture of auto-component parts. Different categories which come in this sector are wagons for passengers the passenger wagons; commercial vehicles such as light, medium and heavy; multi-

utility vehicles- jeeps, three wheelers scooters, military vehicles motorcycles, tractors, etc. and auto-components like engine parts, batteries, drive transmission parts, breaking part electrical, suspension and chassis parts; and body and etc.

The automobile industry of India is one of the most successful ventures, which have seen its hay days as a result of the liberalization strategies, which came in to force as a result of the adoption of the foreign trade policy reforms in the years 1991 that altered the very structure and the manner of economic policies, which were pursued by India.

This sector has been developing by leaps and bounds and has been witnessing increased sales in the past few years which have been possible owing to the innovation efforts and the increased production in this sector. Besides, it has also emerged as one of the leading players in the area of auto-ancillary sector, which is one of the most important drivers of the development of this sector. The companies and players, which are engaged in vehicle manufacturing and auto-parts, comprise the maximum production capacity all over the world and its face has reached far and wide in the international markets.

Moreover, with the initiatives of the government and the business units engaged therein the automobile sector of India has crossed the target of 10 million units in the year 2010, which is next only to China in sales of two wheelers. Indian automobile sector is regarded as one of the core sectors of the Indian economy, which has the potential of serving as the bellwether for the state.

Besides, it is one of the fastest growing sectors not only in India but in the whole world. In this sector the manufacture of the transport equipment accounts for a whopping percentage, which stands to the tune of 10 to 12 percent.

The automobile sector of India has been facing challenges since independence but has remained resilient and growth driven. It has been one of the sectors of economy of India, which has been providing its help in the creation of jobs for

millions of people. In future i.e. by 2026 this very sector is destined to generated 65 million new jobs in the economy of India and is expected to contribute in utilizing the demographic dividend of India towards nation building. It is one such sector, which is progressive in its approach, and has been contributing continuously in the nations building.

Globally vehicle firms are closely observing the India auto market, to explore the prospective demand and set India as a global manufacturing hub. But some of the economic policies, which are adopted, have the potential of changing the dimensions of business activity and prospects of its future development. Demonetization, which was adopted by the government of Indian on November 8, 2016 has been one major change in the monetary system of Indian, which has been behind several changes and one such effect has been on the automobile sectors of India, which along with all the sectors of the economy of India has to bear the brunt of the economic disruption in the form of demonetization of 500 and 1000 Rupee note. The economy of India is basically a cash driven economy and 90 percent of its economy uses cash accounting for the transactions of, as large percentage as that of 90 percent.

The step of the government to demonetize the high currency notes led to serous liquidity concerns owing the constraints it raised. In India the hard currency has deep anchoring and can't be replaced with digital money in a span of few months and that is the main obstacle. The automobile industry too felt the brunt of this movement as the economy got cash strapped and this industry like other industries had to cope with the damage, which it had to bear owing to demonetization. The month of November 2016, saw 50 percent dip in the sales of automobiles, a whopping 16 year low in the automobile sector. The Society of Indian Automobile Manufacturers (SIAM) in 2016 described this dip in sales as a temporary disruption.

In the wake of this economic disruption in the Indian economy and the amount of economic effect, which it has led on different sectors, it is utmost imperative to analyze the effects of demonization on the automobile sector. Present research entitled, "Impact of Demonetization on the Indian Automobile Industry" aims to determine the impact of demonetization on the automobile sector of Indian economy and endeavors to gauge the overall performance of the automobile industry of Indian and the performance of the selected companies in the automobile industry of India in the years of pre and post demonetization in India. Further, it aims to measure the automobile sector on the parameter of profitability and the impact of demonetization on it. Further, it endeavors to focus on the market valuation and evaluation of the companies in the auto mobile industry.

REVIEW OF LITERATURE

There is plethora of literature on the present of automobile industry and some of the most relevant ones are being presented as under in the summarized forms:

The study of Upadhyay and Suvarna in 2018 discussed the investigation pertaining to the demonetizaion on the eocnomy of India with special refrence to Bombay Stock Exchange (BSE). It concluded that it had not led to any striking change in the performance of the companies if they are considered on the basis of pre and post monetization period (Upadhyay & Suvarna, 2018).

This article discussed the probable consequences of demonetization on the economy of India, and specifically on the automobile industry of India. It held that the demonetization of the higher denomination notes has scarped the economy of necessary cash and had led to so many disruptions in various economic variables (Tiwari, 2017).

The paper highlighted the impact of demonetization on the circulation of money and its status as legal tender. It compared the economic performance of various sectors due

to scarping of cash from the Indian economy. The study also found that it had led to temporary disruption in the economy, which is hard to bear for certain sectors of the economy (Chaurasia, 2018).

The demonetization, which was adopted following the decision and speech of Prime Minister Shri Narendra Modi, has led to crisis, which is brewing in several sectors of economy of India. This was supported by the report of RBI for the fiscal year 2018-19, which confirmed that the economy has hit rough patch. Due to sluggish operations of the sectors of economy it had hit a rough patch as a result of sluggish consumer demand and failing manufacturing in various sectors (Revathi, 2020).

The demonetization, which has been adopted basically to stop the black and counterfeit money, and for the purpose of controlling terror funding has led to several significant changes, which has not only led to setback in the performance and productivity of different sectors but has seriously impacted the growth of the economy. It has invariably impacted various sectors of the economy, and has led to downfall in their performance (Bantwa, 2017).

The study of Bal Govind Shukla and Hariom Gupta published in 2018 has basically highlighted, the perspectives of students pertaining to the demonetization undertaken in India and what have been its impact on the overall performance on the economy of India. It basically highlighted the issues such as black money, funding of terror attacks and other problems, which have been creeping and seeping into the very vitalities of Indian economy.

The article of Abhani Dhara K. (2017) primarily focused on the usage of black money in various illegal activities, and how the step of demonetization has led to curbing of these activities in Indian economy. Further, it discussed the increased use of digital forms of payment by people.

The paper of Kamatchi, Muthulakshmi (2017) highlighted on the economic issued, which have been confronted by various sectors of Indian economy, and challenges people and industries are facing in general owing due to the adoption of demonetization.

The paper of Narendra Nathan (2017) delineated on the impact of the presidential election of US and its impact on the stock exchange of India. It focussed on the invested opportunities in India and elsewhere based on the analysis of data collected during that period.

The paper of Bharadwaj et al. done in the year (2017) studied the impact of demonetization on the economy of India, and the national stock exchange of India. It used the efficient market theory for its analysis and came forward with various valuable suggestions.

The literature of review presents various studies pertaining to the impact of demonetization on Indian economy. However, there is no study, which focuses on the performance of the automobile industry of India specifically to study the performance of this sector by analysing the data of performance of the top performing companies in the automobile sector of India. And hence, present study is unique in its approach and analysis and certainly should be done in order to arrive at conclusions and forward suggestions for its improvement.

IDENTIFICATION OF RESEARCH GAPS

There have been several studies on the impact of demonetization on the economy of India. However, there have been very few studies, which have been devoted solely for the performance of the automobile sector of India. Besides, there is dearth of studies which have been done by selecting the top automobile companies of Indian and analyse the impact of demonetization on their performance. Hence present study is unique in its approach and should be undertaken to find out the various problems,

which have been confronted by the automobile sector of India and specifically the selected top performance of the automobile industry, which are crucial for the automobile sector of India.

OBJECTIVES OF THE STUDY

Any research cannot be done in the absence of well stated objectives. Following are the objectives, which have been taken for the present study:

1. To study the impact of demonetization on the automobile industry of India.
2. To study the trends of the automobile industry of India.
3. To study the overall performance of the selected automobile companies of India.
4. To study the impact of demonetization on the performance of selected automobile companies of India.
5. To study the impact of demonetization on the sales of the selected automobile companies of India.
6. To provide conclusions and suggestions for the improvement of various policy measures pertaining to the automobile industry of India and the selected companies.

RESEARCH QUESTIONS OR HYPOTHESES

Hypothesis can be defined as specific propositions, which describe the relationship between variables, and can be tested in certain given situations, and provide a definite base for the study in consideration.

Hypotheses, which have been taken for the present study, can be put forward as under:

H_{01}: There is no significant difference between the overall performance of the automobile industry of India in the pre and post demonetization.

H_{01}: There would is no significant difference between the overall performance of the selected automobile companies of India in the pre and post demonetization.

H_{01}: There would be no significant difference between the sales of selected automobile companies in India in the pre and post demonetization.

RESEARCH METHODOLOGY

a) Scope and coverage of the study

The study undertakes the study of automobile industry in the wake of demonetization implemented by the government of India, to curb black money in the economy. further, the study intends to focus on the impact of demonetization on the automobile industry of India on the basis of performance of the selected 8 companies, which happen to be the top players in this sector.

b) Approach and Methodology

A proper and well stated research design is indispensible for any type of research, which can lead to measurement and analysis of the variables in consideration. Present study is proposed to be done with the help of mixed method technique,

wherein descriptive and analytical approaches would be used to discuss the negative impact and the positive benefits for the automobile industry of India.

The study aims to conduct analysis of the data collected pertaining to the sales of the selected 8 companies for the present study. The data collected would be analysed with the help of Statistical Package for Social Sciences (SPSS). The analysis would be done with the help of paired sample t-Test and averages, means, standard deviation. Tables pertaining to sales of cars and the figure of sales, Graphs, charts and diagrams will also be used wherever necessary.

Tools of Data Collection

The study is basically based on the utilization and analysis of the secondary data of the selected 8 companies. The companies which have been selected for the present study are Ashok Leyland, Bajaj Auto Ltd., Force Motors Ltd., Hero MotoCorp Ltd. Hyundai Motor India Ltd. (HMIL), Mahindra and Mahindra, Maruti Suzuki India and Tata Motors Ltd. The data would be collected pertaining to the sales of these companies in the pre and post demonetization years and would be compared for the impact, which the demonetization has led on the automobile industry of India.

INNOVATION PATH BREAKING ASPECT OF THE RESEARCH

Although several studies have been done, which have focussed, on the impact of demonetization on Indian economy? Yet very few studies have been done to specifically study the impact of demonetization in the pre and post demonetization period in India. Present study endeavours to study the impact of demonetization by focussing on the impact of performance of various companies in the automobile sector of India in pre and post demonetization period.

PROPOSED OUTCOME OF THE STUDY

The study hopes to arrive at the conclusions which provide an understanding of the adverse and positive effects of demonetization on Indian economy. However, it would be interesting to know specifically what have been the effects on the performance of the automobile industry of India and the companies which have been selected for the present study, as a consequence of the adoption of demonetization in the economy of India.

NEW DATA TO BE GENERATED

The study endeavours to generate data and understanding, pertaining to the impact of demonetization carried on in November 2106, specifically on the automobile sector of India, on the basis of analysis of 8 automobile companies of India selected for the present study.

EXPECTED CONTRIBUTION OF THE STUDY

The study expects to contribute to the literature pertaining to the impact of demonetization on the automobile industry, specifically with respect to the selected 8 companies, which are the top performers in the automobile sector of India. it is in this respect that this study is unique and should be undertaken to arrive at insights which are capable of throwing light on the magnitude of problem faced by the automobile sector of India and the repercussions which it had led on the overall performance and growth of the automobile sector and the economy of India and the companies which are selected for the present study.

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